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**APPLICATION OF SOUTHWESTERN
ELECTRIC POWER COMPANY FOR
AUTHORITY TO CHANGE RATES**

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**BEFORE THE STATE OFFICE
OF
ADMINISTRATIVE HEARINGS**



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CROSS-REBUTTAL TESTIMONY OF

ADRIAN NARVAEZ

RATE REGULATION DIVISION

PUBLIC UTILITY COMMISSION OF TEXAS

April 23, 2021

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I. PROFESSIONAL QUALIFICATIONS

Q. Please state your name and business address.

A. Adrian Narvaez, Public Utility Commission of Texas (Commission), 1701 N. Congress
Avenue, Austin, TX 78701.

Q. By whom are you employed and in what capacity?

A. I am employed by the Commission as a Rate Analyst in the Tariff and Rate Analysis
Section of the Rate Regulation Division.

Q. What are your responsibilities as a Rate Analyst for the Commission?

A. My principal responsibility is analyzing utility filings on matters relating to rate design and
cost allocation. My responsibilities include analyzing utility industry regulatory policy,
reviewing tariffs to determine compliance with Commission requirements, and preparing
and presenting testimony as an expert witness on cost allocation and rate design issues in
contested proceedings before the Commission and the State Office of Administrative
Hearings (SOAH).

Q. Please state your educational background and professional experience.

A. Attachment AN-1 to my direct testimony contains a summary of my regulatory experience
and educational background.

Q. Have you previously filed testimony before the Commission?

A. Yes. Attachment AN-1 to my direct testimony contains a listing of direct testimony I have
previously filed at the Commission.

1 **II. PURPOSE AND SCOPE OF TESTIMONY**

2 **Q. What is the purpose of your cross-rebuttal testimony in this case?**

3 A. My cross-rebuttal testimony will address the proposal of East Texas Salt Water Disposal
4 Company (ETSWD) witness Kit Pevoto to adjust Southwestern Electric Power Company's
5 (SWEPCO) class cost of service study (CCOSS) to reflect changes in electricity usage due
6 to the COVID-19 pandemic.

7
8 **III. SUMMARY OF RECOMMENDATIONS**

9 **Q. What is your recommendation?**

10 A. I recommend that the Commission reject ETSWD's proposal to adjust SWEPCO's class
11 cost of service model (CCOSS) to reflect changes in electricity usage, which Ms. Pevoto
12 argues are entirely due to the COVID-19 pandemic.

13
14 **IV. ADJUSTMENTS RELATED TO COVID-19 PANDEMIC IMPACTS**

15 **Q. Please explain Ms. Pevoto's proposal to adjust SWEPCO's CCOSS to reflect the load**
16 **changes due to the COVID-19 pandemic.**

17 A. Ms. Pevoto proposes to adjust SWEPCO's CCOSS and underlying load information to
18 reflect what she describes as "known and measurable pro-forma adjustments related to
19 COVID-19 pandemic impacts, including the changes to electricity usage."¹ She specifically
20 identifies SWEPCO's response to ETSWD's third request for information as the "data of
21 measurable changes in electricity sales by rate class since the pandemic began."² Ms.

¹ Direct Testimony of Kit Pevoto at 14 (Mar. 31, 2021) (Pevoto Direct).

² *Id*

1 Pevoto argues that “[w]ithout including all known and measurable adjustments related to
2 COVID-19 pandemic impacts, SWEPCO’s cost allocation study results are not accurate
3 and should not be used to determine future rates for SWEPCO’s Texas Retail customers.”³

4 **Q. Do you support Ms. Pevoto’s proposed adjustments to SWEPCO’s CCOSS?**

5 A. No. Ms. Pevoto’s adjustments should be rejected for three main reasons: 1) Ms. Pevoto did
6 not provide the information necessary in order to implement her recommendation; 2) her
7 proposed adjustments do not comport with Commission precedent as to what constitutes a
8 known and measurable change; and 3) Ms. Pevoto’s proposed adjustment fails to include
9 all attendant impacts on the billing units used to set rates.

10

11 **A. Necessary Data Not Provided**

12 **Q. Ms. Pevoto states that SWEPCO’s response to ETSWD’s third request for**
13 **information contains the data of measurable changes in electricity sales by rate class**
14 **since the pandemic began. Is this statement accurate?**

15 A. No. The data included in SWEPCO’s response does not actually include electricity sales
16 by class. In response to ETSWD’s discovery request, SWEPCO provided data that shows
17 weather normalized electricity sales of four customer groups which SWEPCO identifies as
18 “Residential” “Commercial” “Industrial,” and “Other Retail.” Each of these four customer
19 groups are presumably made up of one or more of the nineteen different classes included
20 in SWEPCO’s CCOSS.

³ *Id*

1 **Q. Is it possible to implement Ms. Pevoto's recommendation without data by class?**

2 A. No. SWEPCO's CCOSS allocates costs to each of SWEPCO's nineteen classes to
3 determine the cost-based revenue requirement for each class. The resulting cost-based
4 revenue requirements provide the starting points from which SWEPCO determines its
5 proposed revenue distribution. The revenue distribution phase results in the target revenue
6 requirement for each of SWEPCO's nineteen classes that is then used to set rates. The
7 aggregated information provided by SWEPCO in response to ETSWD's third request for
8 information does not provide the information necessary to adjust allocation data consistent
9 with the customer classification used to calculate rates. Therefore, it is not possible to adjust
10 the relevant allocation factors that are used to allocate costs to each class, or to determine
11 class revenue requirements that reflect Ms. Pevoto's proposal.

12 **Q. If the Commission were to approve Ms. Pevoto's recommendation, would it be**
13 **possible to implement her recommendation in the Commission number run process?**

14 A. No. The information necessary to adjust SWEPCO's CCOSS to reflect Ms. Pevoto's
15 recommendation has not been provided.

16
17 **B. Known and Measurable Standard**

18 **Q. Does Ms. Pevoto's recommended adjustment comport with the Commission's known**
19 **and measurable standard?**

20 A. No. In order to comport with the Commission's known and measurable standard the
21 proposed change must be 1) measurable or quantifiable, and 2) must be representative of

1 the situation that is apt to prevail in the future.⁴ As I describe below, Ms. Pevoto's proposed
2 adjustment does not satisfy either of these requirements.

3 **Q. Is Ms. Pevoto's proposed adjustment reasonably quantifiable?**

4 A. No. As I explained above, Ms. Pevoto provided weather normalized electricity sales of four
5 "customer groups" that do not correspond to the classes used in SWEPCO's CCOSS.
6 Therefore, the actual change in weather normalized load by class since the pandemic began
7 in not available.

8 Furthermore, even if weather normalized load by class were available, Ms. Pevoto's
9 proposed adjustment does not meet the known and measurable standard. Ms. Pevoto
10 appears to assume that any and all changes in weather normalized usage since the pandemic
11 began are 100% attributable to the COVID pandemic. However, Ms. Pevoto does not
12 provide any study or any analysis of any sort that would support such a claim. SWEPCO
13 stated in response to ETSWD's third request for information that there are many factors
14 that make it difficult to fully measure the impact of COVID-19 on SWEPCO's Texas retail
15 sales.⁵ Fundamentally, we cannot know what retail sales would have been but for the
16 pandemic. Neither SWEPCO nor ETSWD proposed a methodology that would provide a
17 reasonable estimate as to the impact of COVID-19 on SWEPCO's Texas retail sales.

⁴ *Application of Southwestern Public Service Company for Authority to Change Rates*, Docket No. 43695, Proposal for Decision at 166-167 (Oct. 12, 2015), citing *Suburban Util Co v. Pub. Util Com'n*, 652 S.W.2d 358, 366 (Tex 1983).

⁵ Southwestern Electric Power Company's Response to ETSWD's Third Request for Information at Request No ETSWD 3-1 (Mar. 24, 2021).

1 **Q. Does Ms. Pevoto's recommended adjustment reflect conditions that are apt to prevail**
2 **in the future?**

3 A. No. As Ms. Pevoto stated in her testimony, federal, state, and local authorities implemented
4 measures including issuing stay-at-home orders, closing all non-essential businesses,
5 ordering curfews, and banning public events and gatherings in order to slow the spread of
6 COVID-19.⁶ These measures have affected consumer behavior and economic activity, and
7 have undoubtedly affected electricity usage to some degree. Nevertheless, the changes in
8 electricity usage recorded since the pandemic began, reflect the conditions that were unique
9 and specific to the first few months of the COVID-19 pandemic. Ms. Pevoto did not provide
10 any evidence to support the notion that any COVID-19-related effects on electricity usage
11 in 2020 will persist with no deviation in magnitude while the rates set in this proceeding
12 remain in effect. On the contrary, recent developments suggest that whatever the effect that
13 COVID-19 had in electricity usage in 2020, this is not representative of the conditions we
14 can expect going forward as the deployment of the COVID-19 vaccines continues to grow,
15 the number of COVID-19 cases in Texas drop, and as COVID-19 restrictions on businesses
16 are lifted or otherwise modified.

17
18 **C. Attendant Impacts**

19 **Q. Has Ms. Pevoto accounted for all of the attendant impacts associated with her**
20 **recommendation?**

21 A. No. Consistent with the requirements necessary for post-test year adjustments under 16
22 TAC § 25.231(c)(2)(F)(i), if the adjustment proposed by Ms. Pevoto is made, all of the

⁶ Pevoto Direct at 11.

1 attendant impacts should also be accounted for. ETSWD admits in response to Staff's
2 discovery request that the Commission requires that "attendant impacts on all aspects of a
3 utility's operations can be with reasonable certainty identified, quantified, and matched."⁷
4 ETSWD also references the Commission's decision to adjust SWEPCO's proposed
5 residential energy sales in Docket No. 40443 without also mentioning that this decision
6 affected both the allocation data used to allocate certain costs as well as the billing
7 determinants used to set rates in that case.⁸ However, while Ms. Pevoto argues for
8 adjusting the allocation factors in the CCOSS in this case, she fails to account for the
9 attendant reduction to billing units for the affected classes. In other words, she argues that
10 reduced usage due to the pandemic should be applied to reduce the amount of costs
11 allocated to certain classes, however she does not propose to reduce the billing
12 determinants used to set rates for those classes due to the pandemic. If it were appropriate
13 to reduce the allocation to certain classes due to COVID-19 (thereby lowering rates for
14 those classes, *ceteris paribus*),⁹ then one should also reduce the billing determinants for
15 those classes (thereby increasing rates for those classes, *ceteris paribus*). In fact, if the
16 requisite class data was available to implement Ms. Pevoto's proposal along with all
17 attendant impacts, the net effect of a lower allocation of costs and reduced billing
18 determinants could be to actually increase rates for the classes that saw a reduction in
19 usage in 2020 due to the pandemic. Regardless of the impact on any particular class, a
20 piecemeal implementation of some of the impacts of COVID-19 on allocation factors, but

⁷ East Texas Salt Water Disposal Company's Response to Staff's First Request for Information at Request No. Staff 1-1 (Apr. 21, 2021) (quoting *Central Power and Light Co. v. Public Util. Comm'n of Texas*, 36 S.W.3d 547, 563 (Tex. App.—Austin 2000, pet. denied).

⁸ *Id.*

⁹ With other conditions remaining the same

1 not on billing determinants would be inconsistent and inappropriate as it would fail to
2 reflect all attendant impacts.

3 **Q. Is the data necessary to adjust class billing determinants for the effects of the**
4 **pandemic available?**

5 A. No. Similar to the discussion above regarding allocation data, the data necessary to
6 implement such an adjustment to billing determinants has not been provided and is not
7 available.

8 **Q. Would it be reasonable to adjust the CCOSS as proposed by Ms. Pevoto even if the**
9 **proposed adjustment does not comport with the Commission's known and**
10 **measurable standard or account for all attendant impacts?**

11 A. No. As I demonstrated above Ms. Pevoto's proposal does not comport with the
12 Commission's known and measurable standard. If test year electricity usage were to be
13 adjusted as proposed by Ms. Pevoto, electricity usage would be based on 2020 data instead
14 of the test year ending on March 31, 2020. In addition to violating the above standard, this
15 would also violate the requirement under 16 TAC § 25.234(b) that rates be "determined
16 using revenues, billing and usage data for a historical Test Year adjusted for known and
17 measurable changes...."

18

19 **V. CONCLUSION**

20 **Q. Please summarize your cross-rebuttal testimony.**

21 A. I recommend that the Commission reject ETSWD's proposal to adjust SWEPCO's CCOSS
22 to reflect changes in electricity usage, which Ms. Pevoto argues are entirely due to the
23 COVID-19 pandemic.

1 **Q. Does this conclude your cross-rebuttal testimony?**

2 A. Yes.